

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

NEW ENGLAND CARPENTERS HEALTH
BENEFITS FUND; PIRELLI ARMSTRONG
RETIREE MEDICAL BENEFITS TRUST;
TEAMSTERS HEALTH & WELFARE FUND
OF PHILADELPHIA AND VICINITY;
PHILADELPHIA FEDERATION OF
TEACHERS HEALTH AND WELFARE FUND;
DISTRICT COUNCIL 37, AFSCME -
HEALTH & SECURITY PLAN; JUNE SWAN;
MAUREEN COWIE and BERNARD GORTER,

Plaintiffs,

v.

FIRST DATABANK, INC., a Missouri
corporation, and McKESSON CORPORATION,
a Delaware corporation,

Defendants.

Civil Action: 1:05-CV-11148-PBS

Judge Patti B. Saris

**MCKESSON CORPORATION'S FIRST SUPPLEMENT OF THE
CLASS CERTIFICATION RECORD**

[REDACTED]

Pursuant to the Court's instruction at the May 22, 2007 class certification hearing, Defendant McKesson Corporation hereby supplements the class certification record with the following evidence that has been discovered since the class briefing, including evidence presented at the class hearing. (Class Cert. Hr'g Tr. 63:4-65:7, May 22, 2007.) As the Court recognized, discovery on class certification issues is still ongoing—PBMs, other wholesalers, and TPP class members are still producing documents, and key depositions are scheduled to continue through July 31, 2007. McKesson anticipates filing a second supplement to the class certification record as that evidence becomes available.

The documents and deposition testimony contained in the attached exhibits fall into three categories:

I. DOCUMENTS PERTAINING TO INDIVIDUAL CLASS MEMBERS' EARLY KNOWLEDGE OF THE WAC-AWP SPREAD INCREASES NECESSITATING CLASS MEMBER-BY-CLASS MEMBER INQUIRIES.

- Exhibit A: An internal email and an attached memo showing that Blue Cross Blue Shield of Massachusetts [REDACTED] (BCBSMA MCKESSON 578-580.)
- Exhibit B: An email and attachment sent from the PBM [REDACTED] showing that Blue Shield of California learned of the spread increases at least by July 5, 2002. (BSC 00122-122A.)
- Exhibit C: An April 5, 2002 email circulated among a wide variety of PBMs, TPPs, and other healthcare organizations in the Northeast showing that those organizations were aware of a spike in AWP trend. In particular the TPP Connecticare noted that "a change in the 'spread' between AWP and Direct or WAC pricing . . . has been a 'buzz' topic at recent meetings with other peers in the industry." (Connecticare/NEC 00028-29.)

II. DOCUMENTS PERTAINING TO INDIVIDUAL CLASS MEMBERS' STRATEGIES TO AVOID IMPACT FROM THE SPREAD INCREASES NECESSITATING CLASS MEMBER-BY-CLASS MEMBER INQUIRIES.

- Exhibit D: A Blue Shield of California internal email showing that Blue Shield responded to the AWP increases by [REDACTED] (BSC 00119-120.)
- Exhibit E: A Health Net Inc. chart and spreadsheet identifying spread increases for certain drugs in January 2002. Health Net is a TPP covering 6.6 million lives in 27 states. (HNI/NEC 0100-0106.)
- Exhibit F: A Health Net meeting agenda for a February 1, 2002 "Follow-up Meeting [on] AWP – WAC Margin Spread," containing the agenda item "Discuss possible response areas," including renegotiation via "Manufacturer contracting" and "Pharmacy contracting." (HNI/NEC 0093-94.)
- Exhibit G: A February 15, 2002 document titled "AWP vs WAC Margin Growth Action Plan Worksheet" that lists eleven actions Health Net could take to avoid the effects of the spread increases. (HNI/NEC 0092.)
- Exhibit H: A June 6, 2002 chart calculating potential savings to Health Net by adopting other publishers' AWP. (HNI/NEC 0064.)
- Exhibit I: A June 12, 2002 Health Net email assessing whether Health Net's reimbursement contracts with various pharmacies allow it to switch AWP pricing sources from FDB to "Micromedex" (Redbook), thereby avoiding the spread increases. (HNI/NEC 0086-87.)

III. DEPOSITION TESTIMONY PERTAINING TO THE EFFECTIVENESS OF INDIVIDUAL CLASS MEMBERS' REACTIONS TO THE SPREAD INCREASES.

- Exhibit J: Excerpts from the deposition testimony of Frank Scorpiniti, on behalf of Longs Drug Stores, testifying that "[a]ggressive reduction of reimbursement rates from managed care have driven the downward trend [in pharmacy profit margins on

prescription drugs] for the industry and for Longs” throughout the period from 2000 to the present. (Scorpiniti Dep. 32:17-34:17; 42:23-43:17, May 17, 2007.)

Respectfully submitted,

McKesson Corporation
By its attorneys:

/s/ Paul Flum

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Dated: July 6, 2007

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above document was served upon the attorney of record for each other party through the Court’s electronic filing service on July 6, 2007.

/s/ Paul Flum
Paul Flum

Exhibit A

Filed Under Seal

Exhibit B

Message

Page 1 of 1

Stalker, Nancy

From: Naegle, Debby
Sent: Thursday, August 01, 2002 11:24 AM
To: Stalker, Nancy
Subject: FW: Impact of AWP/WAC spread increase

For review

-----Original Message-----

From: [REDACTED]
Sent: Friday, July 05, 2002 10:02 AM
To: Naegle, Debby
Cc: Torgler, Terry
Subject: Impact of AWP/WAC spread increase

Debby,

The attached Word document describes the methods used to identify the impact of the increased AWP/WAC spread in 2002. The Excel document has two tabs: the 1st tab lays out the calculation of a "corrected" AWP; the 2nd tab shows the dollar impact of the actual AWP vs the corrected AWP.

Please let me know if you have any questions.

[REDACTED]

[REDACTED]

BSC 00122

4/12/2007

Method for calculating impact of AWP/WAC spread

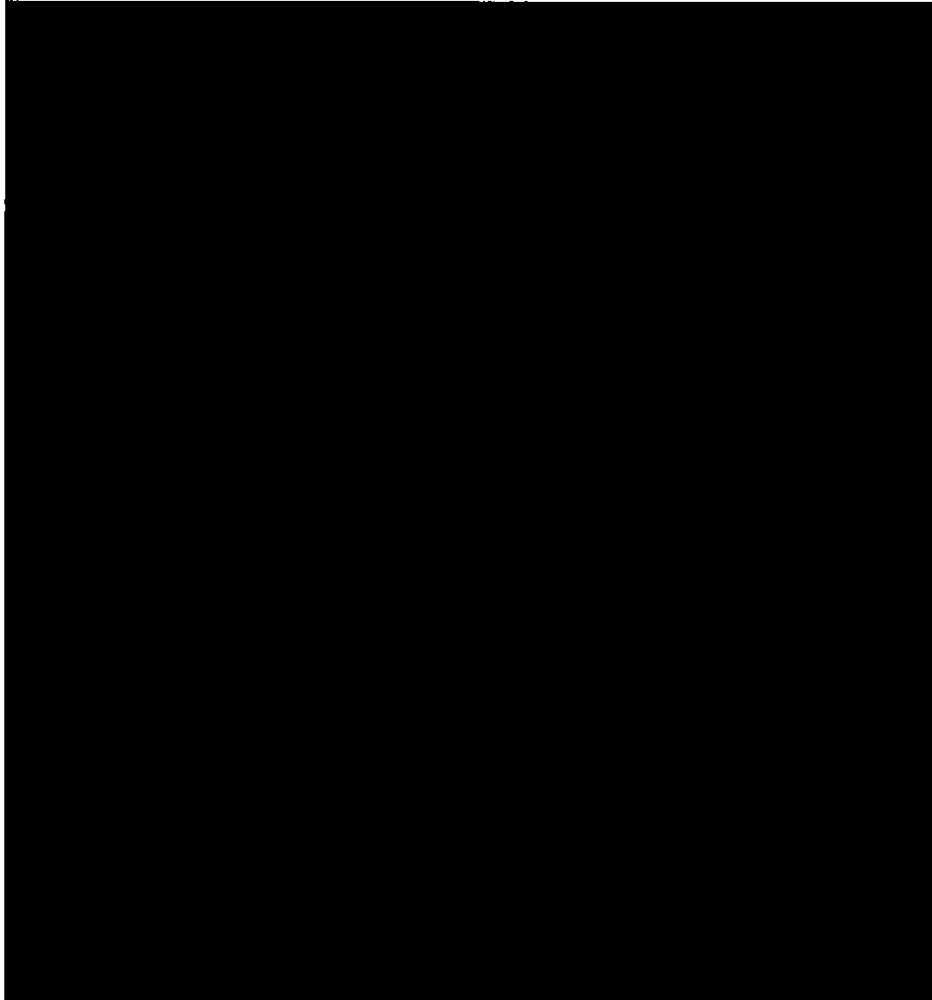


Exhibit C

Docket, Sonya

From: Dan Harris
Sent: Monday, April 08, 2002 10:24 AM
To: Jeffrey Casberg; Craig Neumon
Cc: Bluestein, Paul; Alex Krikorian
Subject: RE: Interesting AWP analysis

How does this compare with '01 over '00, or '00 over '99?

-----Original Message-----

From: Jeffrey Casberg
Sent: Sunday, April 07, 2002 10:45 PM
To: Dan Harris; Craig Neumon
Cc: Paul Bluestein; Alex Krikorian
Subject: FW: Interesting AWP analysis

Below is a off shoot of the topic we have been discussing...an unusual increase in RX AWP due to in part a change in the "spread" between AWP and Direct or WAC pricing.

Confusing, but a real issue.

It has been a "buzz" topic at recent meetings with other peers in the industry.

Bottom line is that AWP prices have increased recently at a increased rate to what we have experienced in recent years....

Jeff

-----Original Message-----

From: dcalabre@caregroup.harvard.edu [SMTP:dcalabre@caregroup.harvard.edu]
Sent: Friday, April 05, 2002 4:38 PM
To: magrest@caregroup.harvard.edu; sbalding@caregroup.harvard.edu; rbimbau@caregroup.harvard.edu; roderick.boone@lahey.org; buckle@fmlypractice.com; jbusch@caregroup.harvard.edu; christopher.ciano@lahey.org; sdavids1@caregroup.harvard.edu; sharris@ferwayhealth.org; jheffern@caregroup.harvard.edu; shochber@caregroup.harvard.edu; howefamily@rcn.com; emk26@attbi.com; leslie.m.mitchell@lahey.org; gmuise@caregroup.harvard.edu; kmukamal@caregroup.harvard.edu; jniloff@caregroup.harvard.edu; wperrell@caregroup.harvard.edu; mrees@caregroup.harvard.edu; lroscoc@caregroup.harvard.edu; mselinge@caregroup.harvard.edu; pamela.s.sherry@lahey.org; kvergo@caregroup.harvard.edu; jzimmer@caregroup.harvard.edu
Cc: joe_gerstein@tufts-health.com; joseph_raduazzo@tufts-health.com; ralph_blair@hphc.org; gary.shramek@bcbsma.com; James.Fanale@bcbsma.com; andrea_grande@harvardpilgrim.org; william_cardarelli@vmed.org; rjgilkin@cvty.com; budswet@univerahealthcare.org; borland@oxhp.com; gary.kerr@bhs.org; gtadioc@bcbs-ga.com; jrogers2@pchi.partners.org; jason.twombly@anthem.com; Jeffrey Casberg; jsalvon@hna.com; james.demosthenes@cigna.com; jim_kennedy@hphc.org; joseph_sinopoli@harvardpilgrim.org; jforismo@rhealthsystems.com; julee.oh@anthem.com; Kelly_Corrigan@tufts-health.com; kjohnson@dc.com; fisle01@fallon-clinic.com; lisa-franchi@harvardpilgrim.org; marty.mattai@coaccess.com; mjdillon@earthlink.net; monalisa.patnaik@bcbsma.com; nminkoff@partners.org; ndevita@partners.org; reipa01@fallon-clinic.com; purick@thehealthplan.com; pavargas@pharmacare.com; phanus@cha-health.com; rmercure@pharmacare.com; rslenza@mediaone.net; rpbrough@pharmacare.com; amy_vachon@vmed.org; pabourjaily@lifespan.org; T.Morris3@GTE.NET
Subject: Interesting AWP analysis

Recently complete the attached analysis (with some help from friends... thanks Bud) which examines drug company AWP price increases from Jan '01 to Jan '02. As you can see from this analysis, the weighted average increase in AWP for our own organization's top 200 most widely prescribed single-source branded drugs was a whopping 6.65% over the past year. While most pharmaceutical companies continue to claim that their annual price increases overall are in line with the Consumer Pricing Index (usually around 2.5%), this analysis clearly demonstrates that such claims are by no means accurate when you weight the average price increase in accordance with comparative \$ volume of product usage.

Of particular note on this report are the following agents whose pricing increases will have the most significant impact for our organization in CY'02:

- 1) Lipitor 10mg (our single most commonly prescribed branded agent ~ \$3.8 million in utilization in '01) - up an incredible 13.5%
- 2) Lipitor 20mg - up 7.3%

3) Prilosec 20mg (still not available generically - approx \$5 million in utilization in '01) - up 7.3%

4) Wellbutrin SR - (\$2 million drug) - up 8.9%

5) Allegra 60mg - (\$1.5 million drug) - up 8.0%

I think it is important that we all keep these numbers clearly in mind when performing budgeting, trending and formulary operational activities in '02.

Please let me know if you have any questions. Hope you find this helpful.

DC

<<AWPIncreasesTop200Drugs1_01vs1_02.xls>>

David Calabrese, R.Ph, MHP

Director of Pharmacy

Provider Service Network

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Boston, MA 02120

Ph: 617-754-8820

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E-mail: dcalabre@caregroup.harvard.edu

<< File: AWPIncreasesTop200Drugs1_01vs1_02.xls >>

Exhibit D

From: Stalker, Nancy
Sent: Thursday, December 11, 2003 10:33 PM
To: Wood, Ken; Kunz, Heidi
Cc: Book, Eric; Holroyd, Ron; Naegle, Debby; Markovich, Paul
Subject: RE: Pharmacy claims AWP pricing

The change in Rx claims pricing logic as described below was implemented 12/8/03. A report for DOS 12/9/03 shows a savings across all Rx claims of [REDACTED] or [REDACTED]. This shows that the savings estimate was accurate. [REDACTED] Any concerns have been addressed by our Pharmacy Network Coordinator. Another not to be named plan, [REDACTED] also implemented this change on 12/8 with [REDACTED]. It resulted in considerable network issues for them.

Yes, this was implemented by [REDACTED] a week earlier than we had requested, so despite our initial concern, they may have done us a [REDACTED] favor.

We will keep you updated as to the continued rollout and acceptance by the pharmacy network.

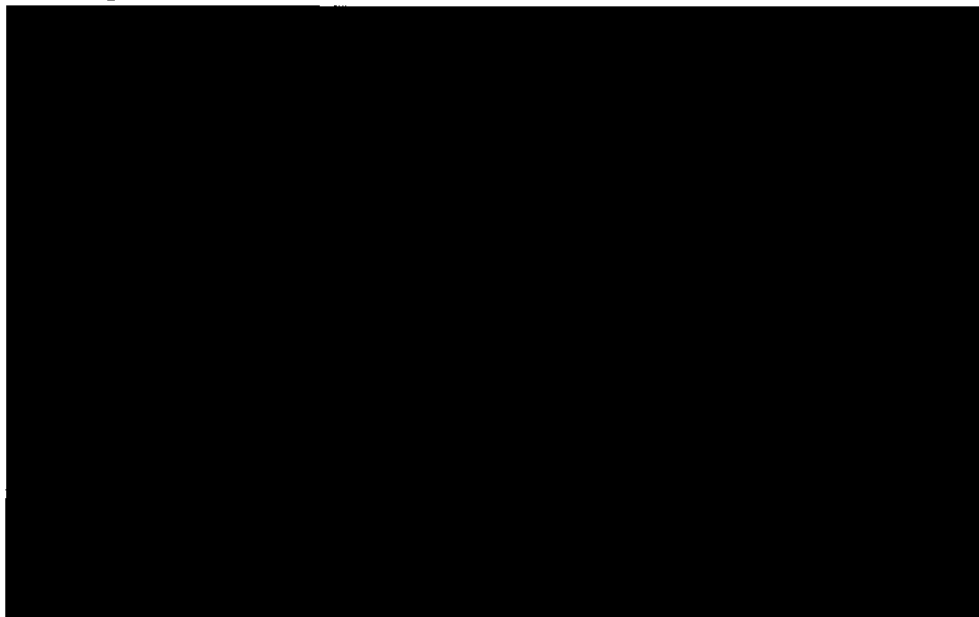
Thanks, Nancy

-----Original Message-----

From: Stalker, Nancy
Sent: Monday, December 01, 2003 3:05 PM
To: Wood, Ken; Kunz, Heidi
Cc: Book, Eric; Holroyd, Ron; Naegle, Debby
Subject: Pharmacy claims AWP pricing

As discussed at the HCS budget meeting, we will be implementing an additional pricing source for AWP (average wholesale price) that will be used by [REDACTED] to process BSC pharmacy benefit retail claims. (The BSC pharmacy network contract rates are negotiated by BSC Pharmacy Services and are based on a discount from AWP for brand drugs. [REDACTED])

Following are some of the essential highlights of this change:



BSC 00119



Please let me know if you need further information or have any questions.

Thanks, Nancy

Nancy Stalker, Pharm.D.
Vice President, Pharmacy Services
Blue Shield of California
415-229-5770
415-229-6011 fax

nancy.stalker@blueshieldca.com

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BSC 00120

Exhibit E

Price Increase Analysis
Incremental Cost due To Increased WAC / AWP Margins
Comparison of Pricing - 12/31/01 vs. 1/25/02
Selected Manufacturers

MFG 10

Based on Q4 2001
Unit Utilization

Annualized***

Incremental (Decremental) Cost due to Margin Increase*

ASTRA PHAR Total	
BERLEX LAB Total	
BMS PRIMAR Total	
CERENEX PH Total	
GLAXO PHAR Total	
GLAXOSMITH Total	
NOVARTIS Total	
P&G PHARM. Total	
PARKE, DAVI Total	
TAP PHARM. Total	
WYETH-AYER Total	
ZENECA INC Total	

Grand Total

\$



\$



See attached for detailed Calculations

- * AWP Cost, before contracted pharmacy discount.
- ** HMO Utilization only (Excludes CHAMPUS)
- *** Q4 Incremental cost x 4

HIGHLY CONFIDENTIAL
 USDC-DIST. MASS.
 NO. 05-CV-11148-PBS

HNI/NEC 0100

**Q4 2001 Unit
Volume**

HIGHLY CONFIDENTIAL
USDC-DIST. MASS.
NO. 05-CV-11148-PBS

HNI/NEC 0101

**Incremental
(Decremental)
Cost due to
Margin increase**

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HIGHLY CONFIDENTIAL
USDC-DIST. MASS.
NO. 05-CV-11148-PBS

HNI/NEC 0104

Price Inc. Analysis

Comparison of WAC / AWP Pricing and Margin

MFG10	BN	NDC	Q4 2001 Unit Volume	At 12/31/2001		At 1/25/2002		WAC Increase %	AWP- Increase %	Variance	At		Incremental (Decremental) Cost due to Margin Increase
				WAC	AWP	WAC	AWP				12/31/2001 AWP / WAC	1/25/2002 AWP / WAC	
PARKE DAVI	BENADRYL	00071426242		1.448	1.738	1.491	1.864	3.0%	7.2%	4%	1.200	1.280	
PARKE DAVI	CELONTIN	00071440210		0.814	0.977	0.814	1.018	0.0%	4.2%	4%	1.200	1.261	
PARKE DAVI	DILANTIN	000710892524		0.773	0.927	0.7858	0.9849	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	DILANTIN	00071000740		0.284	0.353	0.3031	0.3789	3.0%	7.3%	4%	1.200	1.280	
PARKE DAVI	DILANTIN	00071036240		0.258	0.307	0.2637	0.3286	3.0%	7.3%	4%	1.200	1.280	
PARKE DAVI	DILANTIN	00071221420		0.157	0.152	0.1308	0.1695	3.0%	7.3%	4%	1.200	1.280	
PARKE DAVI	DILANTIN	00071036524		0.200	0.240	0.2081	0.2676	3.0%	7.3%	4%	1.200	1.280	
PARKE DAVI	DILANTIN	00071000724		0.208	0.249	0.2137	0.2671	3.0%	7.3%	4%	1.200	1.280	
PARKE DAVI	DILANTIN	00071036324		0.232	0.278	0.23897	0.28871	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	ESTROSTEP	00071082224		0.948	1.137	0.94763	1.18454	0.0%	4.2%	4%	1.200	1.280	
PARKE DAVI	ESTROSTEP	00071082818		0.948	1.137	0.94767	1.1845	0.0%	4.2%	4%	1.200	1.260	
PARKE DAVI	FEMHRT 1/5	00071014423		0.681	0.817	0.74244	0.92811	8.0%	13.8%	5%	1.200	1.250	
PARKE DAVI	FEMHRT 1/5	00071014445		0.681	0.817	0.74243	0.92807	8.0%	13.8%	5%	1.200	1.250	
PARKE DAVI	LIPITOR	00071016540		1.780	2.136	1.8389	2.4248	8.0%	13.5%	5%	1.200	1.250	
PARKE DAVI	LIPITOR	00071016840		2.761	3.302	2.8338	3.542	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	LIPITOR	00071016823		2.915	3.488	2.91489	3.64367	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LIPITOR	00071016723		2.915	3.488	2.91489	3.64367	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LIPITOR	00071016623		2.920	3.144	2.89867	3.37338	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	LOESTRIN	00071016523		1.866	2.034	1.84744	2.30833	8.0%	13.5%	5%	1.200	1.250	
PARKE DAVI	LOESTRIN	00071081345		0.945	1.137	0.94763	1.18454	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LOESTRIN	00071081845		1.263	1.516	1.27571	1.59467	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LOESTRIN	00071081345		0.848	1.137	0.84757	1.1845	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LOESTRIN FE	00071081745		0.957	1.148	0.96681	1.19801	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LOESTRIN FE	00071081745		0.957	1.148	0.95679	1.186	0.0%	4.2%	4%	1.200	1.250	
PARKE DAVI	LOPID	00071073730		1.254	1.506	1.29164	1.61458	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NAROL	00071027024		0.421	0.505	0.4339	0.5415	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071080340		0.484	0.557	0.4782	0.5678	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071080540		1.082	1.310	1.1244	1.4056	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071080324		0.389	0.478	0.4113	0.5141	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071042624		2.038	2.444	2.0874	2.6218	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071080924		1.188	1.437	1.2337	1.5421	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071041824		1.887	2.038	1.7478	2.1848	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NEURONTIN	00071080324		0.986	1.188	1.0282	1.2853	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NITROSTAT	00071041924		0.075	0.088	0.0767	0.0868	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NITROSTAT	00071041724		0.075	0.088	0.0767	0.0868	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NITROSTAT	00071041824		0.075	0.088	0.0767	0.0868	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NITROSTAT	00071041824		0.075	0.088	0.0767	0.0868	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	NITROSTAT	00071041813		0.182	0.185	0.1673	0.2091	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	ZACONTIN	00071241823		0.737	0.207	0.17767	0.22208	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI	ZACONTIN	00071023124		0.787	0.945	0.8107	1.0134	3.0%	7.3%	4%	1.200	1.250	
PARKE DAVI Total													
TAP PHARM.	LUPRON DEPOT	00300386301		#####	#####	1284.57	1695.91	3.2%	0.0%	-3%	1.250	1.211	
TAP PHARM.	PREVACID	00300154111		3.389	4.067	3.4877	4.3721	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304611		3.464	4.144	3.5842	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300154116		3.389	4.067	3.48773	4.37216	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304618		3.454	4.144	3.58424	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300154130		3.389	4.067	3.48787	4.372	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454	4.144	3.58442	4.4583	3.2%	7.8%	4%	1.200	1.250	
TAP PHARM.	PREVACID	00300304613		3.454									

Price Inc Analysis Comparison of WAC / AWP Pricing and Margin

MFG10	BN	NDC	Q4 2001 Unit Volume		At 12/31/2001		At 1/25/2002		WAC Increase %	AWP Increase %	Variance	At 12/31/2001		At 1/25/2002		Incremental (Documental) Cost due to Margin Increase
			WAC	AWP	WAC	AWP	WAC	AWP				WAC	AWP	WAC	AWP	
ZENECA INC	ACCOLATE	00310040238	0.838	1.126	0.9842	1.2303	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ACCOLATE	00310040160	0.838	1.126	0.98417	1.23017	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ACCOLATE	00310040280	0.838	1.126	0.98417	1.23017	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ARIADINE	00310020130	5.882	6.784	5.832	7.29	3.0%	7.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	CASODEX	00310070539	10.340	12.408	10.8067	13.607	4.5%	8.9%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	CASODEX	00310070610	10.340	12.408	10.8066	13.607	4.5%	8.9%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	CASODEX	00310070530	10.340	12.408	10.8067	13.607	4.5%	8.9%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	NOLVADEX	00310060490	3.163	3.798	3.292	4.115	4.0%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	NOLVADEX	00310060018	3.163	3.798	3.292	4.115	4.0%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	NOLVADEX	00310060430	3.163	3.798	3.292	4.115	4.0%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	NOLVADEX	00310060060	3.163	3.798	3.292	4.115	4.0%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088139	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088238	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088310	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088410	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088110	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	SULAR	00310088210	0.835	1.002	0.8762	1.0863	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310014110	0.841	1.129	0.8868	1.2333	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310014510	0.841	1.129	0.8868	1.2333	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310014210	1.030	1.222	1.098	1.335	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013139	0.843	1.012	0.8842	1.1053	4.8%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013239	0.802	1.083	0.9466	1.1833	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013039	0.818	0.980	0.8593	1.0704	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013273	0.866	1.061	0.9279	1.1588	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013173	0.828	0.991	0.8686	1.05325	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013034	0.808	0.969	0.86728	1.0681	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013234	0.894	1.072	0.93741	1.17176	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013134	0.844	0.963	0.8711	0.7139	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013310	1.278	1.533	1.3401	1.6761	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013010	1.320	1.584	1.3843	1.7304	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013110	0.843	1.012	0.8842	1.1063	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
ZENECA INC	ZESTORETIC	00310013210	0.902	1.083	0.9466	1.1833	4.9%	8.3%	4%	1.200	1.250	1.200	1.250	1.200	1.250	
Grand Total																

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HNI/NEC 0106

Exhibit F



Health Net
Pharmaceutical Services

Friday, February 1st, 2002
Health Net Pharmacy Operations Follow-up Meeting
AWP – WAC Margin Spread

Agenda/Talking Points:

- I. AWP/WAC pricing – How is it determined?
- II. Discuss possible response areas:
 - *Manufacturer Contracting* ✓
 - *Pharmacy Contracting* ✓
 - *MEDISPAN?*
- III. Identify further analysis needed to confirm impact
- IV. Next Steps

Re-state issue

Need to understand what drove this, and if we have any recourse to reverse/change the action?
Am I looking at this correctly?

Here is what I know is needed already:

- *I reviewed Q400 vs Q201 - No impact*
- Go back, quarter by quarter in 2001; identify/quantify previous margin increases
- Need to identify BUDGET IMPACT
- Re-evaluate this January by considering all/large sample of pharma companies *80/20* *90/10*
- Monitor 20% manufacturers – Quantify Potential
-
-
- Explore retail contracts to determine ability to adjust reimbursement rate
- *Explore ability to pursue Medispan?*

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[REDACTED]

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HNI/NEC 0094

Exhibit G

AWP vs WAC Margin Growth
Action Plan Worksheet

1463 1463
1958 5377
10988
3423 17788

As of February 15, 2002

1. Contact Medispan; inquire how changes are made	N. Hanson	Complete. Medispan claims that prices are set based on "surveys of wholesalers." Documentation manuals indicate that initial AWP's come from Pharma; also say they have an "automated system" for updating based on WAC-AWP percentage spread.
2. Contact targeted Pharma and request clarification on why changes are occurring	B. Hinshaw	Complete. Responses vary. • Some claim that "they set their AWP." S • Some do not even suggest an AWP
3. Contact Pharma and request additional discounts to offset cost increase to Health Net.	B. Hinshaw	• Abbott has stated "they will make it right." • No other companies seem compelled to take action. • The issue has not been pushed, yet.
REDACTED		
5. Perform further financial analysis to Determine: • Look at larger sample of manufacturers (Jan 2002 vs. Dec 2001) • Did this occur in prior years? • If did occur in prior years, measure scope and timing	M. Baca	Determined that issue has been ongoing in 2000 and 2001. Impact of current price increases, however, is more significant and has larger financial impact than prior two years, combined (see separate worksheets).
6. Compare Medispan pricing to 1 st Databank. If variances exist, measure scope/impact based on utilization.	N. Hanson/L. Bennett	Complete. Analysis based on Q4'01 unit volume indicates some variances. Overall impact is low (\$54k based on Q4 volume).
7. Contact Redbook and inquire about cost/feasibility of a "one-time" download of their pricing file.	N. Hanson	Completed. They are sending sample program with current file.
8. Compare Redbook pricing to Medispan pricing; if variances exist, measure scope/impact based on utilization	M. Baca/N. Hanson	Waiting for arrival of # 6, above
9. Review Pharmacy provider contracts. Assess ability to adjust AWP and/or AWP source (Redbook vs. Medispan vs. 1 st Databank)	N. Hanson/S. Ing	Except for Arizona, AWP source is not indicated in contracts.
REDACTED		
11. Explore re-contracting with Retail/Mail Order network to reimburse based on "WAC+" basis rather than traditional "AWP -"	Ing/Wert	Will discuss with Walgreens at scheduled meeting (Tuesday, Feb 19 th ?) Thurs Feb 22 nd
12.		

Shall we quantify by P/m?

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02/15/02

Exhibit H



Cost Benefit Summary
\$'s in thousands.

Quarterly Annualized

Estimated Ingredient Cost Savings:

(1) AWP Savings ^{① ② ③} \$
Less Pharmacy Discount @ 
Net Potential Savings \$

Estimated Incremental Operating Costs:

Estimated Drug File Costs (Incremental Only)

(2) First Databank \$
(3) Medispan
→ (4) Micromedex
Total \$

Estimated Additional APCS fees \$

→ FTE to Manage Drug File
One Analyst ( Ben Load) \$

Infrastructure Costs for FTE (PC/etc)

Total Operating Costs \$

Estimated Financial Benefit

Net Operating Benefit (Loss) \$

Development Costs?

- (1) See attached for Detailed Calculation
- (2) Assume no Incremental Cost - Will not be used (same as Medispan)
- (3) Assume no Incremental Cost - Already utilized by APCS
- (4) Annual Contract

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Exhibit I

Ned Hanson

06/12/2002 04:45 PM

To: John Sivori
cc: Michael Baca, Virginia White, Cathy J Pirolo/R11/GOV/FHS@FHS
Subject: AWP

John,

I wanted to update you on the issues for sending APCS a Micromedex AWP to price our claims.

1. Micromedex is used by NPA for claims processing. Although NPA isn't a major PMB, they are a significant player in the Northeast. Advantage used them to process their pharmacy claims prior to our acquisition and their subsequent merger with Quamned Philadelphia. National pharmacy chain's claims are processed by NPA, therefore I contend, Micromedex is a nationally recognized drug data base company.

2. [REDACTED] and [REDACTED] were re-negotiated last year using the Health Net California contract which contains the good AWP definition listed below and should allow us to use the Micromedex AWP. HNPS does not have the original contract on file, it is filed in Woodland Hills. When Diana went to copy the AWP definition, she copied the IPS contract that we have on file here at HNPS used for Medi-Cal and Tricare. Sorry about the confusion but I think this illustrates our need to get the Universal Pharmacy contract in place. It has taken much too long!

3. We did not re-negotiate with [REDACTED] last year and their contract is simply a two page letter of agreement without an AWP definition that should allow us to use Micromedex AWP.

4. [REDACTED] was not re-negotiated last year and the only valid contract is on IPS paper with the bad AWP definition (listed below). We could send them a new definition page with the good AWP definition explaining we do not currently use FDB or we could ignore them.

5. [REDACTED] rate was re-negotiated recently for HNNE and they did not want to use the APCS contract so they signed a Letter of Intent. AWP is not defined in this letter and should allow us to use Micromedex AWP.

6. [REDACTED] was re-negotiated recently for HNNE and they did not want to use the APCS contract and also signed a Letter of Intent, so again, should allow us to use AWP from Micromedex.

7. I have a meeting to discuss the technical aspects of getting this new pricing process to work in the APCS system on Tuesday next week at 8am. Scott Huddleston will be in the meeting and they have asked me to include anyone else from Health Net that should be involved. It will be a very technical discussion but anyone is welcome to join. We need to keep in mind that there is a window of time to purchase and acquire the Micromedex file. They also will need APCS to sign a document stating they will not be using their data for any other client. This will require APCS legal review (time?). APCS wants Health Net (HNPS) to sign a document that holds them harmless which will require legal review from our legal department (more time?).

[REDACTED] of HNCA total claim volume and Mike's new savings estimate should now equal ~ [REDACTED]. We should see more possible savings at HNNE since [REDACTED] of their total volume. [REDACTED] contracts have good AWP definition and should allow us to use Micromedex AWP across the board. [REDACTED] contracts are on IPS agreement and will not allow us to use the Micromedex AWP.

Let me know if you have question,
Ned

From [REDACTED]

1.3 "Average Wholesale Price" means the average wholesale price for a prescription medicine as provided to HEALTH NET, no less than monthly, by First DataBank or by such other national drug

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HN/NEC 0086

Handwritten:
Must Do
6/31/02

database as HEALTH NET may designate.

From [REDACTED]

1. AVERAGE WHOLESALE PRICE (AWP): The average wholesale price as defined by First Data Bank and calculated from the medication standard package size (either 100's, pints or pounds, as applicable) listed in the National Data Drug File (Blue Book) from First Data Bank which is most recent as of the date the medication is dispensed.

From [REDACTED]

1.3 Average Wholesale Price: The average wholesale price for a Pharmaceutical Product as provided to Plan, no less than monthly, by "First DataBank" or by such other national drug database as Plan may designate.

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Exhibit J

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

-oOo-

NEW ENGLAND CARPENTER HEALTH
BENEFITS FUND, ET AL.,

PLAINTIFF,

vs.

Case No. 05-CV-11148-PBS

FIRST DATABANK, INC. AND
MCKESSON CORP.,

CERTIFIED COPY

DEFENDANTS.

/

Deposition of
FRANK SCORPINITI

Thursday, May 17, 2007

REPORTED BY: KATHLEEN WILKINS, RPR, CRR, CSR 10068

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1 A. Yes.

2 Q. -- in the past, what time period were you
3 referring to?

4 A. Oh, as far as I can recollect, I have been
5 managing any aspect of the pharmacy when margins as a
6 whole have been downward.

7 Q. When you refer to "margins as a whole," does
8 that include margins for prescription drugs?

9 A. Yes. And thank you for that.

10 In clarification, my oversight has only been
11 in prescription sales.

12 Q. All right. And during what time period have
13 you had responsibility for oversight of sales of
14 prescription drugs?

15 A. In one capacity or another from 2000 until
16 today.

17 Q. And has the trend in profit margin for
18 prescription drugs earned by Longs been declining
19 throughout that whole period, 2000 to today?

20 A. To the best of my recollection, yes.

21 Q. Do you have an understanding as to why profit
22 margins earned by Longs on prescription drugs have been
23 declining in that time period?

24 A. Yes. Aggressive reduction of reimbursement
25 rates from managed care have driven the downward trend

1 for the industry and for Longs.

2 Q. And when you refer to aggressive -- actually,
3 let me withdraw that.

4 So in your last answer you referred to managed
5 care.

6 A. Yes.

7 Q. What did you mean by that?

8 A. I mean any -- what we call third party.

9 Anyone other than a patient paying for their
10 prescription, be it a -- I think the lay public would
11 call it insurance. We might call it managed care or PBM
12 reimbursement.

13 Q. So by insurance, you're referring to a company
14 like Blue Cross?

15 A. Yes.

16 Q. And you also mentioned a PBM. What is a PBM?

17 A. Pharmacy benefit management company. And they
18 could -- many insurance companies use a PBM to
19 administer their drug plan, and those -- those PBMs
20 reimburse Longs for pharmacy services.

21 Q. What percentage, if you know, by dollar volume
22 of Longs revenue on prescription drug sales in this
23 period that we're talking about comes from these third
24 party reimbursements?

25 MS. MAHONEY: Objection. Vague.

1 THE WITNESS: Would you please restate your
2 question.

3 MR. FLUM: Q. Of course.

4 A. Or repeat it.

5 Q. Of course.

6 I'm focusing on the period where you've been
7 familiar with profit margins on prescription drug sales,
8 which I believe you said was 2000 to the present.

9 A. Okay.

10 Q. In that period, can you tell me what
11 percentage of the total reimbursements for prescription
12 drug sales to Longs come from third party payors?

13 MS. MAHONEY: Objection. Foundation.

14 THE WITNESS: On the aggregate from the period
15 of 2000 until today, it's in the 90 percent range.

16 MR. FLUM: Q. All right.

17 A. And increasing.

18 Q. And over that same time period, what
19 mechanisms have the third party payors used to reduce
20 their reimbursements to Longs for prescription drugs?

21 MS. MAHONEY: Objection. Foundation.

22 THE WITNESS: My general understanding is that
23 they use -- they reduce network rates. They can --
24 actually, I'm going to ask you to be more specific in
25 your question, because I want to make sure that I

1 THE VIDEOGRAPHER: Shall we conclude?

2 MR. FLUM: Let's go off the record for a
3 minute, please.

4 THE VIDEOGRAPHER: The time is 11:10. Off the
5 record.

6 (Whereupon, a recess was taken.)

7 THE VIDEOGRAPHER: Time is 11:11. On the
8 record.

9 FURTHER EXAMINATION BY MR. FLUM

10 MR. FLUM: Q. Mr. Scorpiniti, Ms. Mahoney was
11 asking you questions about the difference in profit
12 margins between brand prescription drugs and generics.

13 Do you recall those questions?

14 A. Yes, I do.

15 Q. Does Longs generally make money -- excuse me.
16 Does Longs generally make more money on generic
17 prescription drugs than on brand drugs?

18 A. Yes.

19 Q. And are Longs' profit margins higher on
20 generic prescription drugs than on brand prescription
21 drugs?

22 A. Yes.

23 Q. Now, is it correct, based on your observations
24 of the relationships between WAC AWP markups and managed
25 care reimbursements in the period from 2000 to the

1 present, that the overall rate of reimbursements by
2 managed care in that period were declining at a rate
3 faster than any increases in the WAC to AWP ratio?

4 A. That's a very specific question. Not being
5 from that part of the organization, I cannot answer that
6 question with any certainty.

7 Q. All right. And is it also correct that, not
8 being from that part of the organization, you really
9 can't say with any certainty whether the profit margins
10 for brand prescription drugs were improving relative to
11 reimbursements for managed care during any part of that
12 period?

13 A. I can -- yes. I can say that, to the best of
14 my knowledge, the profit margins -- not specific to this
15 discount versus AWP, as you phrased your prior question,
16 but the resulting margins, for whatever the reason, have
17 declined over this period on brand drugs.

18 MR. FLUM: Thank you. I have nothing further.

19 MS. MAHONEY: I have nothing further.

20 THE VIDEOGRAPHER: The original videotape used
21 today in today's proceedings will be retained by
22 Benchmark Video. Thank you. We are off the record.
23 The time is 11:14.

24 (Deposition concluded at 11:14 a.m.)

25 -o0o-

1 CERTIFICATE OF REPORTER

2 I, KATHLEEN A. WILKINS, RPR, CRR, A Certified
3 Shorthand Reporter of the State of California, hereby
4 certify that the witness in the foregoing deposition was
5 by me duly sworn to tell the truth, the whole truth and
6 nothing but the truth in the within-entitled cause; that
7 said deposition was taken at the time and place therein
8 stated; that the testimony of the said witness was
9 reported by me in shorthand writing and was thereafter
10 transcribed by computer, under my direction and
11 supervision; that the foregoing is a full, complete, and
12 true record of said testimony; and that the witness was
13 given an opportunity to read and correct said deposition
14 and to subscribe the same. Should the signature of the
15 witness not be affixed to the original deposition, the
16 witness shall not have availed him or herself of the
17 opportunity to sign or the signature has been waived.

18 I further certify that I am not of counsel or
19 attorney for any of the parties in the foregoing
20 deposition, nor in any way interested in the outcome of
21 the cause named in said caption.

22
23 DATED: May 30, 2007

24 Kathleen A. Wilkins

25 KATHLEEN WILKINS, RPR, CRR, CSR 10068